

**KITTITAS COUNTY COMBINED SPECIAL PURPOSE DISTRICTS**  
**Kittitas County, Washington**  
**January 1, 1989 Through December 31, 1991**

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**Schedule Of Findings ) Kittitas County Water District No. 5**

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1. Kittitas County Water District No. 5 Should Improve Internal Controls Over Customer Billings

During our review of the district customer billing records, we noted the following conditions:

- a. An adequate audit trail did not exist for tracing customer payments to final deposit with the county treasurer. This prevented us from verifying that all payments received from the district were properly deposited. More specifically:
  - (1) Billing stubs, which serve as district receipts, were not traceable to a particular bank deposit.
  - (2) The billing stubs did not indicate the year of the billing period.
  - (3) The billing stubs did not indicate the date payment was received.
  - (4) In some cases, we were unable to match bank deposits to a county treasurer's transmittal.
- b. The district does not use an accounts receivable control account. The lack of a control account is a material internal control weakness because there is a significantly greater risk of errors or irregularities occurring without timely detection.

RCW 43.09.200 states, in part:

. . . The state auditor . . . shall formulate, prescribe, and install a system of accounting and reporting . . . The accounts shall show the receipt, use and disposition of all public property, and the income, if any derived therefrom . . . all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . (Emphasis ours.)

District personnel were unaware of the specific accounting procedures necessary to meet the audit requirements noted above.

We recommend the district implement an effective audit trail from customer billings to deposit with the county treasurer. We also recommend that the district create and maintain an accounts receivable control account.

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**Schedule Of Findings ) Kittitas County Water District No. 6**

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1. Kittitas County Water District No. 6 Should Improve Accounting Controls Over Customer Billings

The prior audit of Water District No. 6 contained a finding which, in part, recommended that district management establish an accounts receivable control account. To date, the district has not complied with our recommendation.

RCW 43.09.200 states in part:

Division of municipal corporations ) Uniform system of accounting.  
The state auditor, through such division, shall formulate, prescribe, and install a system of accounting and reporting, which shall be uniform for every public institution, and every public office, and every public account of the same class . . . The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . (Emphasis ours.)

The lack of an accounts receivable control account is considered a material internal control weakness for the billing and cash receipting systems of the district. This results in a high risk that errors or irregularities could occur and not be detected in a timely manner.

We again recommend that Water District No. 6 create and maintain an accounts receivable control account. We also recommend that district personnel periodically reconcile the control account to the subsidiary records.

2. Kittitas County Water District No. 6 Should Properly Document Board Approval For Payment Of Claims Against The District

District minutes do not disclose board approval for payment of expenditures in the manner prescribed by the State Auditor's Office. Typical disclosure in district minutes are "paid bills" or "vouchers signed and approved."

RCW 42.24.080 states in part:

All claims presented against any county, city, district or other municipal corporation . . . shall be prepared for audit and payment on a form and in the manner prescribed by the division of municipal corporations in the state auditor's office . . . .

Vol. 1, Pt. 3, Ch. 3, page 25 of the *Budgeting, Accounting and Reporting System* (BARS) manual, as promulgated by the State Auditor's Office, prescribes the appropriate voucher approval method as follows:

To indicate governing body approval for payment of claim vouchers and payroll, the following should be entered in the minutes:

(Funds)	Total
Voucher (warrant) numbers: ____ through ____	\$_____
Payroll warrant numbers: ____ through ____	_____

A recommendation to implement the above cited voucher approval procedure was made to the district in our prior audit's exit conference. The district has expressed a resistance to comply with the State Auditor's recommendations.

We again recommend that district minutes properly disclose board approval of all claims against the district.